

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05

SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02

OMB-01 DOE-15 AF-10 ARA-10 NEA-11 XMB-02 OPIC-03

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R 202337Z JUN 78

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 3598

INFO AMEMBASSY BONN

AMCONSUL BRISBANE

AMEMBASSY BRUSSELS

USMISSION GENEVA

AMEMBASSY KUALA LUMPUR

AMEMBASSY LONDON

AMCONSUL MELBOURNE

USUN NEW YORK 1002

AMEMBASSY PARIS

AMCONSUL PERTH

AMEMBASSY SINGAPORE

AMCONSUL SYDNEY

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E.O. 11652: N/A

TAGS: EGEN, ETRD, BEXP, EFIN, PINT, MTN, AS

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SUBJECT: PRIME MINISTER FRASER SPEAKS ON WORLD TRADE AND
THE MTN UPON HIS RETURN FROM TWO WEEKS ABROAD

REF: (A) CANBERRA 02571, (B) CANBERRA 02825 (BOTH NOTAL)

BEGIN UNCLASSIFIED

1. SUMMARY: PRIME MINISTER MALCOML FRASER RETURNED ON SUNDAY, JUNE 18 FROM A FIVE COUNTRY (U.S., U.K., FRANCE, THE FRG AND MALAYSIA) SIXTEEN DAY TRIP WHICH STARTED ON JUNE 2ND. ON MONDAY, JUNE 19 HE ADDRESSED THE THOUSAND MEMBER CONFEDERATION OF AUSTRALIAN INDUSTRIES. HE SEIZED THIS OPPORTUNITY TO EXPLAIN THE PURPOSES AND THE RESULTS OF HIS TRIP AND HIS ADDRESS WAS A KALEIDOSCPIC REVIEW OF HIS EXTENSIVE DISCUSSIONS IN THE UNITED STATES, EUROPE AND SOUTH EAST ASIA (IN KUALA LUMPUR HE ALSO MET SINGAPORE'S PM) ON THE INTERNATIONAL ECONOMY AND WORLD TRADE. THE PM SAID THAT "I AM NOW MORE CONVINCED THAN EVER THAT THE WORLD ECONOMIC TRADE SITUATION IS CRITICALLY BALANCED." END SUMMARY.

2. FOCUSING ON THE MTN, THE ECONOMIC SUMMIT IN BONN IN MID-JULY AND THE UNCTAD NEGOTIATIONS WHICH HE EXPECTS TO BE CONVENED LATER THIS YEAR FOR A COMMON FUND TO STABILIZE COMMODITY TRADE, THE PM MADE THE FOLLOWING MAIN POINTS.

THIS IS A YEAR IN WHICH DECISIONS WILL ADVANCE WORLD TRADE, OR RESURRECT PROTECTIONIST PRESSURES. THIS IS A YEAR IN WHICH EITHER NATIONS WILL RECOGNIZE AND ACT ON THE MUTUAL ECONOMIC INTERDEPENDENCE TO THEIR COMMON BENEFIT OR ALLOW NARROW SELF-INTEREST TO PREDOMINATE TO THE DETRIMENT OF ALL.

IT IS IMPERATIVE THAT THE RIGHT DECISIONS BE TAKEN, DECISIONS THAT WILL REDUCE TRADE BARRIERS AND LEAD TO AN EXPANSION OF LIMITED OFFICIAL USE

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WORLD MARKETS; DECISIONS THAT WILL ENABLE MINES, FARMS AND FACTORIES TO EXPAND THEIR PRODUCTION, THEIR EMPLOYMENT, THEIR OVERSEAS TRADE, OTHERWISE THERE IS THE RISK OF A WORLD-WIDE RETREAT TO THE TYPE OF BEGGAR-THY-NEIGHBOR PROTECTIONIST POLICIES WE WITNESSED IN THE 30'S.

IT IS IN THIS NATIONS'S INTEREST AS A COUNTRY HEAVILY DEPENDENT ON WORLD TRADE TO DO ALL IN ITS POWER TO AVOID SUCH AN OUTCOME. THIS HAS BEEN MY PRIME OBJECTIVE, MY MAIN CONCERN, IN MY OVERSEAS DISCUSSIONS WHICH BEGAN IN JAPAN, IN APRIL (CANBERRA 02501, 02861, 03116, 03257 NOTAL).

3. ON THE MTN. THE PM SAID THAT TO DATE, THE NEGOTIATIONS HAVE FOCUSED ALMOST EXCLUSIVELY ON REDUCING TARIFF AND NON-TARIFF BARRIERS ON MANUFACTURED PRODUCTS. AGRICULTURE HAS BEEN NEGLECTED - DESPITE THE FACT THAT IT FORMS A MOST SIGNIFIICANT PART OF WORLD TRADE. THE FACT THAT THERE HAS NOT BEEN ANY MOVEMENT IN REDUCING THE RIGID BARRIERS AGAINST MANY AGRICULTURAL PRODUCTS IS A MATTER OF DEEP CONCERN. TARIFF RECUCTIONS IN THESE PRODUCTS WOULD AFFECT 40 PERCENT OF THE EXPORTS OF THE MAJOR TRADING BLOCKS, BUT ONLY 20 PERCENT OF WORLD TRADE, AND NO MORE THAN 5 PERCENT

OF THE EXPORTS OF AUSTRALIA. SUCH A LIMITED AGREEMENT
PLAINLY COULD MAKE ONLY A MARGINAL CONTRIBUTION TOWARDS
EXPANDING WORLD MARKETS. (SEE CANBERR 04286 AND 04488 NOTAL
FOR THE AUSTRALIAN CONSIDERATION OF FORMULA TARIFF REDUCTIONS.)

4. ON THE U.S. AND AUSTRALIA IN THE MTN. THE PM SAID THAT
THE U.S. AND AUSTRALIA ARE UNITED IN OUR EFFORTS TO SEE THAT
NEGOTIATIONS ARE BORADENED TO ENCOMPASS TRADE IN AGRICULTURAL
PRODUCTS AND INCORPORATE A CODE OF BEHAVIOR ON EXPORT
SUBSIDIES. WE BOTH WANT AN AGREEMENT WHICH IS WIDE
RANGING, COVERING ALL SECTORS OF TRADE. UNLESS AGRICULTURE
IS INCLUDED, THE U.S. WILL WALK AWAY FROM THE GENEVA
NEGOTIATIONS. I RECEIVED FIRM AND CATEGORIC ASSURANCES ON
THIS IN CANBERRA FROM VICE PRESIDENT MONDALE (SEE CANBERRA
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03619 NOTAL FOR EMBASSY COMMENTS) AND IN NEW YORK FROM
PRESIDENT CARTER'S SPECIAL TRADE REPRESENTATIVE.

5. FOR AUSTRALIA'S PART, ACCORDING TO THE PM, WE HAVE
DECIDED TO MAKE THE GREATEST CONTRIBUTION WE CAN, FOR IN
NEGOTIATIONS OF THIS KIND ANY ADDITIONAL WEIGHT IN THE
RIGHT DIRECTION CAN HELP TO MAKE THE DIFFERENCE BETWEEN
ULTIMATE SUCCESS AND FAILURE.

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6. ON THE EEC. AUSTRALIA DECIDED TO PARTICIPATE IN THE 40
PERCENT FORMULA CUT APPROACH FOR TARIFFS ON INDUSTRIAL
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PRODUCTS. THIS DECISION DIFFERS SHARPLY FROM THE IRRESPONSIBLE
25 PERCENT ACROSS THE BOARD TARIFF CUT ON 1973 WHICH WAS
MADE UNILATERALLY WITHOUT EXCEPTIONS AND WITHOUT RECIPROCITY.
OUR OFFER IS OF COURSE SUBJECT TO RECEIVING FULLY RECIPROCAL
BENEFITS INCLUDING RECIPROCATION AT LAST FOR THE EARLIER
UNILATERAL CUT. OUR OFFER IS NOT A "TRADE-OFF" BETWEEN
INDUSTRY AND AGRICULTURE, IT OFFERS BENEFITS TO ALL AUSTRALIAN
ENTERPRISES. BY MAKING THE FORMULA CUT OFFER WE HAVE
EXTENDED THE CHALLENGE OF RECIPROCITY TO THE MAJOR INDUSTRIAL
COUNTRIES, A CHALLENGE TO OFFER REALISTIC REDUCTIONS IN
THEIR BARRIERS TO AGRICULTURAL IMPORTS. IN THIS REGARD,
THE EUROPEAN COMMUNITY HAS A PARTICULAR RESPONSIBILITY. AS
THE WORLD'S LARGEST TRADING BLOCK, IT SHOULD ENSURE THAT
THERE IS A SUCCESSFUL OUTCOME TO THE TOTAL TRADE NEGOTIATIONS.
FOR THESE PURPOSES, MINISTER FOR SPECIAL TRADE NEGOTIATIONS
GARLAND WILL CONTINUE OUR BILATERAL NEGOTIATIONS WITH THE
COMMUNITY.

7. WARNING TO THE EEC. I HAVE ADVISED MR. JENKINS, THE

PRESIDENT OF THE EEC, THAT THE COMMUNITY WOULD BE SERIOUSLY
MISTAKEN IF IT UNDERESTIMATED AUSTRALIA'S RESOLVE AND
DETERMINATION IN THIS MATTER. THE FAILURE OF THIS VENTURE PRESENTS

THE THREAT OF A REVERSION TO PROTECTIONISM.

8. ESPOUSING THE CAUSE OF THE THIRD WORLD. THE COMMON FUND. TURNING TO THE 3RD WORLD, THE PM SAID THAT THERE IS A NEED FOR CONCERTED ACTION TO STIMULATE WORLD TRADE GROWTH. BY THIS HE REFERRED TO RRADE IN COMMODITIES, AND THE NEED TO TAKE MORE FULLY INTO ACCOUNT THE INTERESTS OF THE DEVELOPING WORLD. THIS IS NOT A MATTER OF CHARITY. IT IS A MATTER OF SELF-INTEREST, HE SAID. MANY DEVELOPING COUNTRIES RELY LIMITED OFFICIAL USE

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OVERWHELMINGLY ON ONE OF A FEW COMMODITIES FOR THEIR EXPORT EARNINGS; COMMODITIES ACCOUNT FOR 55 PERCENT OF THE EXPORTS OF DEVELOPING NATIONS. THUS, A MORE PRAGMATIC APPROACH MUST BE TAKEN BY BOTH DEVELOPED AND DEVELOPING COUNTRIES ON WAYS OF STABILIZING WORLD COMMODITY PRICES. THIS IS THE ISSUE SYMBOLIZED BY THE CONCEPT OF A "COMMON FUND".

AUSTRALIA BELIEVES THAT STABILIZATION ARRANGEMENTS CAN BE MADE TO WORK AND BRING STABILITY TO PRICES. ON THE BASIS OF MUTUAL SELF-INTEREST, AUSTRALIA HAS BEEN PRESSING FOR A BETTER DEAL FOR DEVELOPING COUNTRIES.

9. THE BONN SUMMIT; THE U.S. ECONOMY. THE PM SAID THAT ALL OF THESE QUESTIONS WILL BE DISCUSSED AT THE SEVEN-NATION ECONOMIC SUMMIT MEETING IN BONN NEXT MONTH. THIS WILL BE A MEETING OF FUNDAMENTAL IMPORTANCE AND ONE OF GREAT DIFFICULTY. THE U.S. AND THE UK WANT STRONGER ECONOMIES; THEY WANT THE FRG AND JAPAN TO PURSUE HIGHER GROWTH RATES; THE UK AND FRANCE WANT DISCRIMINATORY SAFEGUARDS TO FORM A PRINCIPAL FEATURE OF THE NEW TRADING ARRANGEMENTS WMERGING FROM THE MRN; JAPAN WANTS TO ENSURE THAT THE WORLD DOES NOT SLIDE BACK INTO PROTECTIONISM. EVEN SUCH A POWERFUL ECONOMY AS THE U.S. WILL REQUIRE REMEDIAL ACTION IF THEIR RECENT RESURGENCE OF INFLATION AND THEIR IMBALANCE OF PAYMENTS IS TO BE OVERCOME. IT IS DISAPPOINTING THAT THE U.S. WHICH HAS BEEN MAINTAINING A RATE OF GROWTH WHICH MANY OF US WOULD LIKE TO SEE HAS SLIPPED BACK INTO AN UNHAPPY INFLATIONARY SITUATION AS A RESULT.

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10. COMMENT: FOR MONTHS NOW PM FRASER HAS BEEN IN A VIRTUAL SWIVEL ON WORLD TRADE; WHAT HE PERCEIVES AS THE EVIL INTENT LIMITED OFFICIAL USE

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OF THE EEC IN THE MTN; THE POOR PERFORMANCE OF THE U.S. ECONOMY (NOTWITHSTANDING THE INFORMATION GIVEN TO HIM AS PER STATE 096687 NOTAL BEFORE HE WENT TO JAPAN) AND WHAT HE SEES TO BE AUSTRALIA'S LONELY EFFORTS TO PLEAD THE CAUSE OF THE 3RD WORLD, PARTICULARLY AS REGARDS THE COMMON FUND. HIS TRAVELS AND HIS MANY SPEECHES ON THESE SUBJECTS (AND THOSE OF HIS MINISTERS) HAVE BROUGHT HIM POLITICAL CRITICISM AT HOME HOWEVER AND EVEN HIS OWN BACKBENCHERS HAVE CRITICIZED HIS PROLONGED ABSENCE FROM THE COUNTRY AT A TIME OF SLUGGISH AUSTRALIAN ECONOMIC PERFORMANCE; ONLY MODEST IMPROVEMENT AT BEST IN THE EMPLOYMENT SITUATION; THE PREPARATION OF THE UPCOMING AUSTERITY BUDGET WHILE HIS MINISTER OF FINANCE IS EMBROILED IN POLITICAL SCANDAL AND THE FIGHTS WITH THE STATES CONTINUE ON ABORIGINAL LAND RIGHTS, MINING AND REDISTRIBUTION (GERRYMANDERING). NEVERTHELESS, HE SEEMS NOT TO BE DETERRED. HE CHOSE HIS AUDIENCE WISELY FOR THIS ADDRESS FOR THE BUSINESS COMMUNITY GENERALLY LIKES WHAT HE SAYS ABOUT MARKET ACCESS ABORAD AND IMPROVING THE INVESTMENT CLIMATE IN AUSTRALIA, AND THE BUSINESS AND FINANCIAL PRESS HAVE GENERALLY NOT GIVEN HIM A HARD TIME ABOUT HIS TOUGH TALK DURING HIS TRAVELS ABROAD.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRIME MINISTER, TRADE, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 20 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CANBER04830
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780257-0837
Format: TEL
From: CANBERRA
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1978/newtext/t19780641/aaaabjqn.tel
Line Count: 302
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 265fc785-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 CANBERRA 2571, 78 CANBERRA 2825
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2290161
Secure: OPEN
Status: NATIVE
Subject: PRIME MINISTER FRASER SPEAKS ON WORLD TRADE AND THE MTN UPON HIS RETURN FROM TWO WEEKS ABROAD
TAGS: EGEN, ETRD, BEXP, EFIN, PINT, AS, MTN, (FRASER, J MALCOLM)
To: STATE USEEC
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/265fc785-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014